

## SPECIAL REPORT

### **U.S. LEAF TOBACCO AND PRODUCTS TRADE Calendar Years 1997 Through 1999**

#### **Leaf Exports**

Total U.S. leaf tobacco exports were a record low in 1999. U.S. leaf exports totaled 189,378 metric tons, down nearly 11 percent in 1999. The United States' leading unmanufactured tobacco export markets in 1999 were: the European Union, with sales of 100,985 tons (down 3 percent); Japan, 27,347 tons (down 29 percent); Turkey, 10,427 tons (down 48 percent); the Russian Federation, 8,103 tons (up three-fold); Switzerland, 7,282 tons (up 55 percent); and the Republic of Korea, 5,741 tons (up 35 percent). Flue-cured, and burley tobaccos along with stems accounted for nearly 90 percent of U.S. leaf exports. Flue-cured exports in 1999 reached 85,538 metric tons, down 22 percent. Leading markets for U.S. flue-cured leaf in 1999 were: the European Union (down nearly 21 percent); Japan (down 29 percent); the Republic of Korea (up 36 percent); and Turkey (down 58 percent). Burley exports for 1999 totaled 189,378 metric tons, valued at \$1.29 million, down nearly 11 percent in quantity and 11 percent in value. Top markets for U.S. burley were: the European Union (down 3 percent); Japan (down 29 percent); Turkey (down 48 percent); and the Russian Federation (up three-fold). U.S. stem exports in 1999 totaled 29,883 tons valued at \$18 million, up 10 percent in quantity and 18 percent in value.

A number of factors were to blame for the decline in U.S. leaf exports. Competitive prices from world suppliers, the Asian financial crisis, aggressive anti-smoking campaigns, and a global oversupply situation have all impacted U.S. sales abroad. Countries which bought solely American leaf found more competitive prices and good quality leaf with our competitors such as Brazil and Zimbabwe. Brazil's competitiveness in international markets was enhanced by product availability and lower export prices due to the devaluation of its currency. Leaf sales to Japan and Turkey, markets which historically bought American leaf, were down 29 percent and 48 percent, respectively, in 1999 as a result of increased competition on the world market. However, U.S. export sales improved in Asia. With the end of the financial crisis, consumer confidence was revived and Asian consumers reportedly switched to a higher quality blended cigarette. Leaf sales to Korea, Malaysia, and the Philippines increased substantially. But leaf sales to Thailand and Taiwan were down markedly as a result of surplus domestic stocks. Although leaf exports to Japan dropped by 29 percent in 1999, sources report that the Japanese will continue to require U.S. leaf to retain the taste of newly acquired brands from RJ Reynolds Tobacco Company.

#### **Cigarettes**

U.S. cigarette exports in 1999 reached 151 billion pieces, valued at \$3.23 billion, down nearly 25 percent in quantity and 28 percent in value from 1998. Much of this decline can be attributed to increased cigarette production in the United States' top markets coupled with flat demand in these markets, particularly the EU and the Russian Federation. Sales to these countries are down 60 percent and 89 percent, respectively. Increased foreign investment in the Russian region over the next two to three years is expected to decrease demand for cigarette imports even further. In the

European Union, overall cigarette sales are decreasing because of increased health awareness. The leading U.S. cigarette export markets in 1999 were: Japan (up 2 percent); Saudi Arabia (up 17 percent); Cyprus (up 13 percent); and the EU (down 58 percent).

## **Leaf Imports**

Flue-cured, burley and oriental tobacco (including stems) when combined, accounted for nearly 68 percent of U.S. unmanufactured tobacco imports for consumption. U.S. imports of flue-cured tobacco totaled 58,986 metric tons, valued at 194 million dollars, up 95 percent in quantity and nearly 92 percent in value. Much of this increase is due to a rise in shipments from Brazil (up 53 percent), Malawi (up 90 percent) and Zimbabwe (up 86 percent). Burley imports in 1999 totaled 43,155 tons, valued at \$150 million, up 50 percent in quantity and 38 percent in value from last year. U.S. imports of stems and scraps totaled 36,142 tons, valued at 15 million, down nearly 26 percent in quantity and 29 percent in value. The United States also imports a considerable amount of oriental tobaccos, which along with flue-cured and burley account for most of the tobacco in the American-blend cigarette. Imports of oriental tobacco reached 54,538 tons, down 34 percent from 1998, valued at \$246 million. A drop in U.S. cigarette production and reduced domestic consumption and exports are the primary reasons for the decrease in oriental tobacco imports. Likewise, general imports dropped by over 2 percent to total 241,065 metric tons or \$753 million.